

SOUTH DAKOTA RETIREMENT SYSTEM

PO Box 1098 • 222 East Capitol Ave, Suite 8 • Pierre, SD 57501-1098
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Service Credit Purchase Application

This packet contains important information on the methods, process, and cost of purchasing service credit. Please be advised that SDRS members have full responsibility for securing the verification of service and retirement status. If the Service and Retirement System Verification form is incomplete, the purchase process cannot be completed.

Current contributing members of the South Dakota Retirement System may purchase years of retirement service credit for prior service rendered in:

- public employment (all years)
- employment in an other than for profit entity (up to 5 years)

To be considered eligible for a purchase of service credit, you must not be eligible to receive a retirement benefit from the organization from which you are looking to obtain a purchase of service credit.



Methods of Purchasing Service

STANDARD PURCHASE – *Flexibility in Payment Options* If you are a member of a standard purchase unit (check with your employer for status of your unit), your purchases are not tax-deferred and are paid with after-tax dollars. You may make a lump-sum cash purchase or you may set up a payment plan and pay SDRS by personal check over a period of up to 10 years. Ask your employer if they offer to have payments deducted from your paycheck automatically (after-tax).

TAX-EFFICIENT PURCHASE – *Tax-Deferred Savings* If you are a member of a tax-efficient purchase unit (check with your employer for status of your unit), you will purchase service on a tax-deferred basis – that is, your purchase payments will reduce your salary before your income tax is calculated (just like regular SDRS contributions), resulting in a smaller tax liability. The tax-efficient purchase agreement is an **irrevocable contract and the terms and conditions of the agreement cannot be changed in any way**. Therefore, you must be sure that you have enough take-home income to meet other expenses before entering into the agreement and that the terms of the agreement do not conflict with your retirement plans. No early paydowns or lump sum payments are allowed.

TRUSTEE-TO-TRUSTEE TRANSFER – *Acquisition of Service* Permissible through the passage of the Economic Growth and Tax Relief Reconciliation Act of 2001 and South Dakota HB1032 of the 2002 Legislative Session, members of SDRS are eligible to acquire credited service by transferring funds from the Supplemental Retirement Plan (SRP) or other §457 or §403(b) plans to SDRS. In this process, the transfer of dollars moves directly from the trustee of origin to SDRS and must be equal to the acquisition cost of the service to be credited. To complete a transfer, you must be a current contributing member of SDRS at the time you sign the agreement and when SDRS receives the trustee-to-trustee transfer of funds. Individuals wishing to perform a transfer must contact the trustee of their retirement funds prior to the transfer for information on fees that may apply.

Purchase Process

If you are interested in purchasing prior service, you should notify SDRS at least 60 days in advance of your interest to purchase. This provides sufficient time for the verification process and consultations, if necessary. In order to initiate a purchase you must:

- be working and contributing to SDRS
- have prior public employment or employment in an other than for profit entity for which you are not eligible to receive a retirement benefit
- have the service you wish to purchase verified by your former employer and have this documentation submitted to SDRS
- submit copies of the organization's Articles of Incorporation, By-Laws or IRS exemption letter to SDRS for former employment with an other than for profit entity
- provide SDRS with information on how much service you wish to purchase at a time and over how long you wish to pay for the purchase

The verification process must be completed before SDRS will provide formal benefit estimates based on the purchase of credited service. Until then, please use the benefit calculator on the SDRS web site at www.sdrs.sd.gov. Members wishing to purchase service credit have full responsibility for securing the verification of service and retirement status. SDRS must approve submitted documentation before a purchase can be allowed.



Service and Retirement System Verification

South Dakota Retirement System
PO Box 1098 • Pierre, SD 57501-1098
Phone: (605) 773-3731 Fax: (605) 773-3949 TDD: (605) 773-3958

To Past Employers and Retirement System Administrators:

The member listed in Section A intends to purchase additional service credit in the South Dakota Retirement System (SDRS). Before he/she can do so, you must verify that the individual has past service as a public employee or employee of a not-for-profit organization and that the service does not qualify for a retirement benefit. Please complete the section that applies to you and return the form to the member.

SECTION A – Member Information (To Be Completed by SDRS Member)

Last Name	First	MI (Maiden)	Social Security Number	
Address		City	State	Zip Code
				Telephone Number ()

SECTION B – Former Employer and Employment Information (To Be Completed by Prior Employer)

Employer Name	Address		Telephone Number ()
Member's Prior Position	If full time, specify dates of employment (mm/yy – mm/yy)	If part-time, total hours worked (mm/yy – mm/yy)	
Member's Prior Position	If full time, specify dates of employment (mm/yy – mm/yy)	If part-time, total hours worked (mm/yy – mm/yy)	

NOTE: If the member worked part-time, you must indicate the number of hours worked (i.e. hrs/week, hrs/mo). An average or percentage is not sufficient.

If there was no retirement plan associated with this member's period(s) of employment with your organization, check here: ☐
(By checking this box, Section C will not need to be completed.)

I certify that the above information is true and correct to the best of my knowledge.

Signature of certifying official:

Title

Date

To the employer: After completing this section, please return this form to the member at the address shown in Section A.

SECTION C – Retirement System Information (To Be Completed by the Prior Retirement System)

Retirement System Name	Address		Telephone Number ()
Was this person a member of your retirement system?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
Is this person receiving or entitled to receive a benefit from your retirement system?	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
If yes, please explain:			
I certify that the above information is true and correct to the best of my knowledge.		Title	Date
Signature of certifying official:			

To the retirement system: After completing this section, please return this form to the member at the address shown in Section A.

Cost to Purchase Service Credit

Your cost to purchase credited service depends upon your age at the time of purchase. The cost is an actuarially determined percentage of your current salary or your final average compensation, whichever is higher. For a list of percentages based on age refer to the following tables:

	Class A	Class B – Judicial
Age at Purchase		
39 and Younger	12.0%	18.0%
40	13.4%	19.9%
41	14.7%	21.8%
42	16.0%	23.8%
43	17.3%	25.7%
44	18.6%	27.6%
45	19.9%	29.5%
46	21.2%	31.3%
47	22.4%	33.2%
48	23.7%	35.1%
49	24.9%	36.9%
50	26.2%	38.8%
51	27.4%	40.6%
52	28.6%	42.4%
53	29.9%	44.2%
54	31.1%	46.0%
55 and Older	32.3%	47.8%

	Class B – Public Safety
Age at Purchase	
29 and Younger	16.0%
30	17.8%
31	19.5%
32	21.2%
33	22.9%
34	24.6%
35	26.3%
36	28.0%
37	29.6%
38	31.3%
39	33.0%
40	34.6%
41	36.2%
42	37.9%
43	39.5%
44	41.1%
45 and Older	42.7%

The same formula applies to each class of membership looking to purchase service:

Multiplier (listed above) X Higher of Salary or Final Average Salary X Years to Purchase

Note: For purchases prior to July 1, 2005, compound interest of 8% applies to purchases financed over time. For purchases after July 1, 2005, compound interest of 7.75% applies
July 1, 2008